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NAC BRIEFING

22 March 1957

ARGENTINA'S ECONOMIC CRISIS

- I. Argentina's financial and economic situation is now deemed a "national emergency." On 22 March, President Aramburu proposed sweeping economic reform measures, thereby precipitating a cabinet crisis and bringing on strong political protests.
 - A. Nation's budget deficit for '57 is \$777 million.
 - B. Argentina's unusually low gold and dollar holdings are inadequate even to cover nation's 1957 fuel bill (estimated \$316 million).
 1. At end of '56, holdings were down to \$237 million, and have declined since then.
 2. During '56, nation's gold holdings were reduced by some \$100 million to pay for imports from US.
- II. Deficit in dollar payments (\$200 million in '56) is likely to be repeated or exceeded in '57.
 - A. Problem stems from increased need for dollars for essential imports -- particularly oil.
 1. Suez crisis has reduced sterling area oil supplies and raised both oil prices and shipping costs by \$40-\$60 million.
 2. Increased oil consumption, expected to increase by 10% in 1957, is not matched by domestic oil production which supplied only 40% of Argentina's needs.

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5. Meanwhile, nation's foreign exchange earnings are being cut by adverse trend in prices of most Argentine agricultural exports.

III. Aramburu's proposals for avoiding "national bankruptcy" emphasize domestic austerity and the scrapping of many state economic controls, in order to promote free enterprise and greater production. Specifically they would:

A. Reduce domestic consumption and budget deficit by ending subsidies on commodities and services, cutting gov't expenditures.

1. Subsidies on meat (\$150 million yearly) already ended.

B. Put end to price controls where active competition exists but continue wage freeze.

C. End controls on imports of capital goods, but reduce dollar trade deficit.

D. Encourage foreign private investment.

IV. Austerity elements (cut in subsidies, continued wage-freeze) in Aramburu's proposals have brought on a cabinet crisis.

A. Treasury Minister Verrier, author of program, has resigned.

~~However, his replacement, Dr. Adalberto Krieger, holds views similar to Verrier's.~~

B. Five other cabinet ministers, who object to the proposals, are threatening to resign.

C. Military cabinet ministers, as well as vice-president Adn. Rojas, are reportedly backing Aramburu.

D. However, this does not assure Gen. Aramburu of full military support.

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1. Some continuing military rivalry and dissidence over recent 30-day disciplinary arrest of formerly powerful Navy undersecretary.
2. Some military men question why more US help not offered to overcome legacy of 10 years economic deterioration and decapitalization.

V. Political leaders, with eye to forthcoming elections are reportedly protesting that Aramburu's plan is too drastic.

- A. Chief complaint concerns ending price controls while continuing wage freeze.
- B. New Treasury Minister, Adelberto Krieger expected to move more cautiously than Verrisi, especially in abolishing subsidies and reviewing price controls.
- C. Aramburu has asked protesting politicians to submit specific suggestions for resolving crisis, and offering access to government files.
- D. Two elections planned this year:
 1. July - assembly to revise constitution;
 2. Last quarter 1957 - elections of national and local governments to take office by 20 June 1958.
- E. While reform plans may have to be modified, especially to counter objections to wage-price relations, Aramburu is making strong effort to meet immediate economic crisis and promote economic reforms essential to long-term rehabilitation of country.

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NSC BRIEFING

27 March 1957

ARGENTINA'S ECONOMIC CRISIS

- I. Argentina's President, faced with "national bankruptcy," proposed sweeping reform measures on 22 Mar and thereby precipitated cabinet crisis.
 - A. Budget deficit \$777 million in '57.
 - B. Argentina's foreign exchange earnings have been hit by price drop for agricultural exports.
 1. Gold and dollar holdings down to \$237 million at end '56: less now.
 2. Yet '57 fuel imports, along, will cost Argentina \$315 million.
 - C. Suez crisis has raised oil import costs by \$40-\$60 million, while at same time cutting down on oil available from sterling areas.
- II. President Aramburu's proposals:
 - A. Cut state controls, promote free enterprise.
 - B. End subsidies, thereby cutting both budget deficit and consumption.
 - C. Free some prices, while continuing wage freeze.
- III. Five civilian cabinet ministers now threaten to resign.
 - A. Military cabinet ministers, plus vice-president, Adm. Rojas, reported backing Aramburu.
 - B. However, united support of military not assured.
- IV. Political leaders, with elections in offing, expect to win votes by attacking president's "drastic" plan.
 - A. Treasury Minister--Author of Plan--resigned 25 Mar.

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